HOME TOWNSHIP MONTCALM COUNTY, MICHIGAN ANNUAL FINANCIAL STATEMENTS

AND

AUDITOR'S REPORT

JUNE 30, 2007

Michigan Department of Tressury 498 (02/06)

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. 🗵		The audit	opinion is	UNQUALIFIE	D.		7		
X				complied with (r GASB 34 as	a modified by MCGA	Statement #7	and other generally
. 🗵		The board	d or cound	il approves all	invoices p	rior to paymo	nt as required by cha	irter or statute.	
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DEAN JENSEN

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August 15, 2007

To the Members of the Township Board of Home Township

In planning and performing our audit of the general purpose financial statements of Home Township, for the year ended June 30, 2007, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control structure.

During our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The following summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated August 15, 2007 on the financial statements of Home Township.

Comments and Recommendations:

BUDGETS AND AMENDMENTS

Public Act 621, the Uniform Budgeting Act provides a system of uniform procedures for the preparation and execution of budgets in local units of government in the State of Michigan.

During the audit for the year ended June 30, 2007, we noted that actual expenditures exceeded budgeted amounts as explained in footnote 1. We would recommend the Township officials periodically examine budget to actual reports to ensure compliance with laws and regulations.

There were no additional comments or recommendations that we deemed necessary to bring to the attention of the Township Board at this time. We will review the status of these comments during our next audit engagement. We will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This report is intended solely for the information and use of the members of the Township Board and related regulatory agencies.

Sincerely,

Dean Jensen CPA, P.C.

CONTENTS

	rage #
INDEPENDENT AUDITOR'S REPORT	1
GOVERNMENT WIDE FINANCIAL STATEMENTS	
Government Wide Statement of Net Assets Government Wide Statement of Activities	3 4
FUND FINANCIAL STATEMENTS	
Governmental Fund Balance Sheet Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds Reconciliation of the Statement of, Expenditures, and Changes in Fund Balance of	6 7
Governmental Funds	8
Notes to Financial Statements	9 - 16
FINANCIAL STATEMENTS OF INDIVIDUAL FUNDS	
GENERAL FUND Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual Statement of Expenditures	17 18 - 19
MUNICIPAL STREET FUND Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	20
FIRE OPERATIONS FUND Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	21
POLICE OPERATIONS FUND Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual	22
FIRE EQUIPMENT FUND Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	23
POLICE EQUIPMENT FUND Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	24
LIBRARY FUND Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	25
CEDAR LAKE LIGHTS FUND Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	26
COMPLIANCE AND INTERNAL CONTROL Report on Compliance and Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	28

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INDEPENDENT AUDITOR'S REPORT

To the Township Board Home Township Montcalm County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Home Township, Montcalm County, Michigan, as of and for the year ended June 30, 2007, which collectively comprise Home Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of Home Township, Montcalm County, Michigan. Our responsibility is to express an opinion on these financial statements based on our adit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the supporting financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Home Township, Montcalm County, Michigan, as of June 30, 2007, and the respective changes in fund balance for the year then ended in conformity with the accounting principles generally accepted in the United States of America.

As described in Note 1, the Township of Home has implemented a new financial reporting model, as required by provisions of GASB Statement No. 34, Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments, as of June 30, 2006. However, management has elected not to present the Management's Discussion and Analysis portion of the financial statements.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Home Township, Montcalm County, Michigan basic financial statements. The combining and individual fund financial statements as listed in the accompanying table of contents have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

August 15, 2



HOME TOWNSHIP GOVERNMENT WIDE STATEMENT OF NET ASSETS JUNE 30, 2007

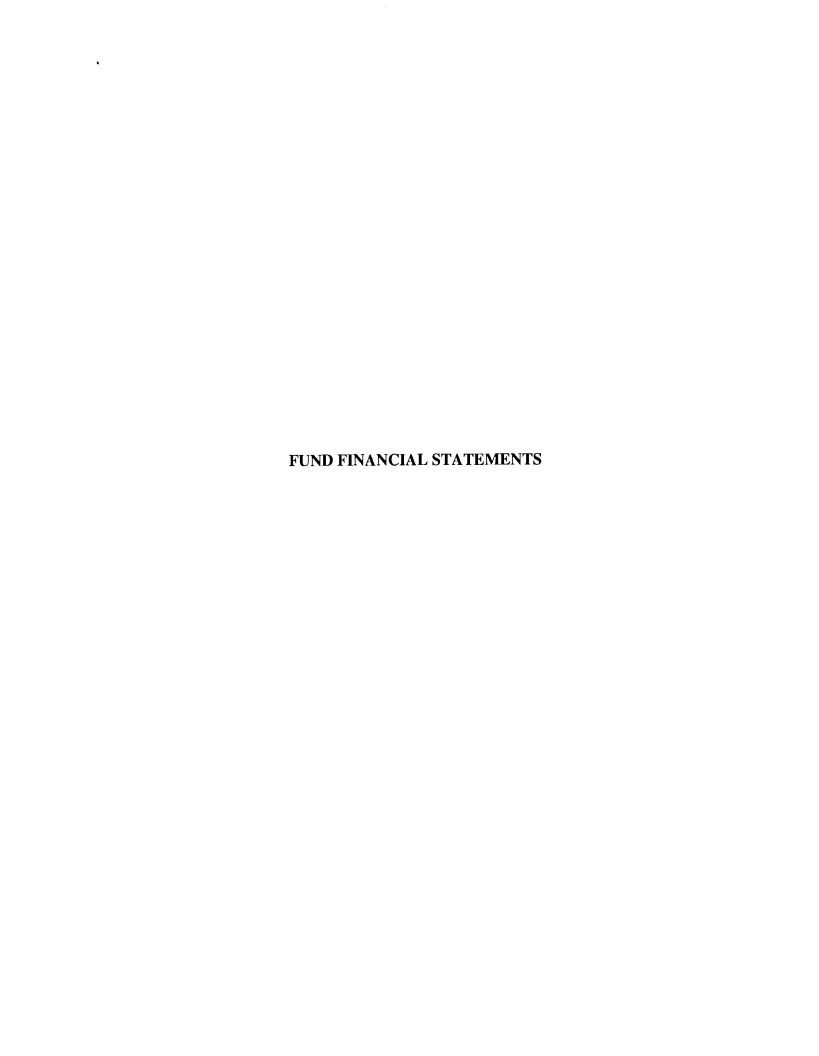
		overnmental Activities
ASSETS	\$	750,236
Cash and cash equivalents	Φ	15,709
Receivables - other governmental units		1,030,195
Capital assets (net)		1,000,100
Total Assets	\$	1,796,140
LIABILITIES		
	\$	5,800
Accounts Payable	Ψ	77,879
New township hall mortgage		167,460
Fire truck loan		167,400
Total liabilities		251,139
NET ASSETS		704.050
Invested in capital assets, net of related debt		784,856
Unrestricted		760,145
-	æ	1 545 001
Total net assets	<u> </u>	1,545,001

HOME TOWNSHIP GOVERNMENT WIDE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2007

	Governmental Activities Net (Expense)	Sapital Grants Revenue and Changes in Net	SUS	1	- (139,014)	- (160,894)	1,199 (43,633)	- (48,708)	1,199 (392,249)
Program Revenues		Operating Capit	Ū		⇔	ı	ı	22,231	22,231
		Charges	Services		\$ 22,519	23,522	1	28,471	74,512
			Expenses		\$ 161,533	184,416	44,832	99,410	490,191
				PRIMARY GOVERNMENT	General government	Public safety	Public works	Recreation and culture	Total primary government

286,229 104,418	24,469	451,021	1,486,229 1,545,001
General Revenues Property taxes State shared revenues	Onestricted investment earnings Other	Total general revenues	Net assets - beginning of year Net assets - end of year

See accompanying notes to financial statements



HOME TOWNSHIP GOVERNMENTAL FUND BALANCE SHEET JUNE 30, 2007

				MAJOR FUNDS	SONDS					
	GENERAL FUND	MUNICIPAL STREET FUND	FIRE OPERATIONS FUND	POLICE OPERATIONS FUND	POLICE FIRE OPERATIONS EQUIPMENT FUND FUND	POLICE EQUIPMENT FUND	LIBRARY FUND	CEDAR LAKE LIGHTS FUND	GOVE	TOTAL GOVERNMENTAL FUNDS
ASSETS Cash and cash equivalents Accounts receivable Total Assets	\$ 254,732 15,709 270,441	\$ 69,643 - 69,643	\$ 109,742	\$ 88,531 - 88,531	\$ 7,357	\$ 68,327	\$ 151,001	\$ 903 803	<i>ь</i> ,	750,236 15,709 765,945
LIABILITIES AND FUND BALANCE LIABILITIES										
Accounts payable Payroll tax liabilities	• 1	5,800			1 1	1 1				5.800
Total Liabilities		5,800			'	'				5,800
FUND BALANCES Reserved for municipal streets Reserved for fire operations		63,843	109,742	1 •				' '		63,843 109,742
Reserved for police operations Reserved for fire equipment			1 1	88,531	7,357		1 1 1			88,531 7,357 68,327
Reserved for florice equipment Reserved for florar Becaused for Cedar 1 ske I inhte				. , .		75,00	151,001	' ' 60		151,001
Unreserved	270,441	ı	•	•	•	•	•	,		270,441
Total Fund Balances	270,441	63,843	109,742	88,531	7,357	68,327	151,001	903		760,145
TOTAL LIABILITIES AND FUND BALANCES	\$ 270,441	\$ 69,643	\$ 109,742	\$ 88,531	\$ 7,357	\$ 68,327	\$ 151,001	\$ 803	ارم ا	765,945

See accompanying notes to financial statements

1,030,195 (245,339) 1,545,001

760,145

Amounts reported for governmental activities in the statement of net assets are different because:

'Total fund balance - governmental funds

'Capital assets used in governmental activities are not financial resources and are not reported in the funds

'Long-term liabilities are not due and payable in the current period and are not reported in the funds

Net assets of Governmental Activities

HOME TOWNSHIP STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS JUNE30, 2007

		,		MAJOR FUNDS	FUNDS					
	GENERAL	MUNICIPAL STREET FUND	FIRE OPERATIONS FUND	POLICE OPERATIONS FUND	FIRE EQUIPMENT FUND	POLICE EQUIPMENT FUND	LIBRARY FUND	CEDAR LAKE LIGHTS FUND	TOTAL GOVERNME FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES Property taxes	\$ 48,883	\$ 53,563	\$ 66,967	\$ 66,950	· •	· •	\$ 49,866	€	s	286,229
Special assessments	100 049		, ,	• •			3.469	1,199		1,199
orate grants Interest	11.110	3,711	3,101	4,856	2,724	4,153	6,226	24		35,905
Rents	1,675	· '	. '			•		•		1,675
Fees and services	20,844	•	•	23,522	•		•	•		44,366
Penal fines	•	•	•	•	•	•	28,471	•		28,471
Gifts	. 0	4 !	- 253	, PA.	1 •		22,231 8,816			22,231
	5,53			Š						
Total Revenues	192,720	57,274	70,621	101,169	2,724	4,153	119,079	1,223		548,963
EXPENDITURES										!
General government	133,453	•	' !	' '	•		•	•		133,453
Public safety	' '	, ,	43,132	76,692	•	i	•	. 04.0		42824
Public services	1,300	42,154					94 400	9/6,1		94,937
Debt service	4,449				28,305	•	'	,		32,754
Other	31,384	•	•	1	•	•	1	•		31,384
Capital outlay	152,223		3,096	•		3,498	56,564			215,381
Total Expenditures	322,809	42,154	46,228	76,692	28,305	3,498	150,964	1,378		672,028
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(130,089)	15,120	24,393	24,477	(25,581)	655	(31,885)	(155)		(123,065)
OTHER FINANCING SOURCES										
Transfers In	60,941	•	•		•	•	•	•		60,941
Iransters (out) Loan proceeds	90,000	' '		(146,00)						80,000
Total Other Financing Sources	140,941	•	•	(60,941)			1	•		80,000
EXCESS (DEFICIENCY) OF REVENUES										
(UNDER) EXPENDITURES	10,852	15,120	24,393	(36,464)	(25,581)	655	(31,885)	(155)		(43,065)
FUND BALANCE-BEGINNING OF YEAR	259,589	48,723	85,349	124,995	32,938	67,672	182,886	1,058		803,210
FUND BALANCE-END OF YEAR	\$ 270,441	\$ 63,843	\$ 109,742	\$ 88,531	\$ 7,357	\$ 68,327	\$ 151,001	\$ 903	σ	760,145

See accompanying notes to financial statements

HOME TOWNSHIP RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2007

Net change in Fund Balances - total governmental funds	\$ (43,065)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
Add: capital outlay Deduct: depreciation expense	215,381 (58,205)
Debt retirement is not reported as an expense on the statement of activities	24,661
Loan proceeds are not reported as financing sources on the statement of activities	(80,000)
Change in net assets of governmental activities	\$ 58,772

HOME TOWNSHIP NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Township was organized in 1865 and is located in Montcalm County, Michigan. The Township operates under an elected board of five (5) members and provides services to its residents in many areas including public safety (fire and police), highway and street maintenance, culture/recreation, public improvements, planning and zoning and general administrative services.

The accounting policies of Home Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental and financial reporting principles. The more significant of the government's accounting policies are described below.

A - THE REPORTING ENTITY

In accordance with generally accepted accounting principles and governmental accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity", these financial statements present the Township and its component units. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. Based on the application of the criteria, the township does not contain any component units.

B - GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

$\ensuremath{\text{C}}$ – MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

Government-Wide Financial Statements – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund Financial Statements — The Governmental fund financial statements are reported using the current financial resources measurement and focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenue to be available if they are collected within 60 days of the end of the current fiscal year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Township property tax is levied on each December 1st on the taxable valuation of property (as defined by State statutes) located in the Township as of the preceding December 31st.

Although the Township's 2006 ad valorem tax is levied and collectible on December 1, 2006, it is the Township's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made "available" for the financing operations.

The 2006 taxable valuation of the Township totals \$58,161,302 on which ad valorem taxes levied consisted of .91180 mills for the Township operating purposes, 1.24320 mills for combined fire operations, 1.24290 mills for combined police operations and .99440 mills for municipal streets. These amounts are recognized in the respective fund financial statements as revenue.

The government-wide focus is more on the sustainability of the Township as an entity and the change in the Township's net assets resulting from the current year's activities.

D- BASIC FINANCIAL STATEMENTS - FUND FINANCIAL STATEMENTS

The financial transactions of the Township are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Township:

Governmental Funds – The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position (sources, uses, and balances of financial resources) rather than upon net income.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The Township has elected to report all governmental funds as major funds.

The Township reports the following governmental funds as major funds.

- The General Fund is the Township's primary operating fund. It accounts for all financial resources in the general government, except those required to be accounted for in another fund.
- The Municipal Street Fund accounts for the use of property taxes received under a specially voted millage for the activity related to the renovation and improvements to the Township's roads.
- The **Fire Operations Fund** accounts for the use of property taxes received under a specially voted millage for the activity related to the Fire Department.

- The **Police Operations Fund** accounts for the use of property taxes received under a specially voted millage for the activity related to the Police Department.
- The Fire Equipment Fund accounts for the use of property taxes received under a specially voted millage for the activity related to the purchase of Fire Department equipment.
- The Police Equipment Fund accounts for the use of property taxes received under a specially voted millage for the activity related to the purchase of Police Department equipment.
- The Library Fund is used to account for funds received and expended for the operation of the Township's Library.
- The Cedar Lake Lights Fund is used to account for funds received and expended for the special assessment district which provides for street lighting for its district.

E - ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

<u>Bank Deposits and Investments</u> -- The Township's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables – In general, outstanding balances between funds are reported as "due to / from other funds". Activity between funds that is representative of lending / borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to / from other funds". Any residual balances outstanding between the governmental activities are reported in the government-wide financial statements as "internal balances".

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

<u>Inventories and Prepaid Items</u> – The Township does not recognize as an asset inventories of supplies. The cost of these supplies is considered immaterial to the financial statements and the quantities are not prone to wide fluctuation from year to year. The costs of such supplies are expensed when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

<u>Capital Assets</u> — Capital assets, which include property, plant and equipment, are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the Township as individual assets with an initial cost equal to or more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets utilized in the governmental funds are recorded as expenditures in the governmental fund financial statements. Depreciation expense is recorded in the government-wide financial statements

Capital assets of the Township are depreciated using the straight line method over the following estimated useful lives:

Buildings	40 to 60 years
Building Improvements	15 to 30 years
Equipment and Furnishings	7 to 15 years
Fire Department Vehicles	25 years

<u>Fund Equity</u> – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balances represent tentative management plans that are subject to change.

<u>Estimates</u> – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

F - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

<u>Budgetary information</u> - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end. The government's final budget must be prepared and adopted prior to July 1st of each year.

The appropriated budget is prepared by fund, function and activity. The legal level of budgetary control is the activity level. Certain supplemental budgetary appropriations were made during the year.

The government does not utilize encumbrance accounting.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- 1. Prior to June 1, the Township supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them, for the General and Special Revenue funds.
- 2. Public hearings are conducted to obtain taxpayer comments.
- 3. Prior to June 30, the Township Board adopts by resolution a budget for the ensuing year
- 4. The Supervisor or his designee is authorized to transfer budgeted amounts within department appropriation accounts. However, any revisions that alter the total expenditures of any department must be approved by the Township Board.
- 5. Budgets are adopted on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at the fiscal year end
- 6. Adoption and amendments of all budgets used by the township are governed by Public Act 621.

Excess of expenditures over appropriations – Public Act 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. During the year ended June 30, 2006, the government incurred expenditures in excess of the amounts appropriated at the legal level of budgetary control as follows:

	Amended <u>Budget</u>	<u>Actual</u>	Unfavorable Budget <u>Variance</u>
General Fund	5,058	5,128	(70)
Payroll taxes New township hall & police building	16,249	159,285	(143,036)
Fire Operations Fund Capital outlay	2,750	3,096	(346)
Fire Equipment Fund Interest Debt retirement	0 0	5,765 22,540	(5,765) (22,540)
Library Fund Communications Repairs and maintenance Audio-visual and non-book Miscellaneous	1,800 200 6,000 1,000	1,915 370 6,242 1,165	(115) (170) (242) (165)

NOTE 2 - CASH AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorized the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. Investments can also be made in bonds, securities, and other direct obligations of the United States, or any agency or instrumentality of the United States, which are guaranteed as to principal and interest by the United States, including securities issued by the United States government, or Federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications by not less than two standard rating agencies which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivision which are rated as investment grade, and mutual funds composed of investment vehicles which are legal for direct investment by local units of the government of Michigan. Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan.

The Township has designated four banks for the deposit of Township funds. The investment policy adopted by the Township in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States Government and bank accounts and CDs, but not the remainder of State Statutory authority as listed above.

The Township's deposits and investment policy are in accordance with statutory authority

At year end, the carrying amount of the Township's cash deposits and investments was \$750,236 and the bank balance was \$715,567. Of the bank balance, \$251,658 was covered by federal depository insurance and \$463,909 was uninsured and uncollateralized. Deposits which exceed FDIC insurance coverage limits are held at local banks.

Investments are categorized into these three categories of credit risk:

- 1. Insured or registered, or securities held by the Local Government Unit or its agent in the government's name;
- 2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the government's name; and
- 3. Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Local Governmental Unit's name.

At year-end, the Township's investment balances were all categorized as category 1.

NOTE 3 -- CAPITAL ASSETS

Capital asset activity of the primary government for the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets not being depreciated	•			
Land	<u>\$ 61,717</u>	\$ 40,000		\$ 101,717
Capital assets being depreciated				
Buildings	431,297	103,941	-	535,238
Improvements other than buildings	5,203	57,083	-	62,286
Machinery and equipment	235,717	14,357		250,074
Vehicles	613,886	-	-	613,886
Total capital assets being depreciated	1.286,103	175,381		1,461,484
Less accumulated depreciation for:				
Buildings	207,596	12,316	a	219,912
Improvements other than buildings	4,507	842	-	5,349
Machinery and equipment	120,443	17,713	•	138,156
Vehicles	142,255	27,334	<u></u>	169,589
Total accumulated depreciation	474,801	58,205		533,006
Net capital assets being depreciated	811,302	117,176		928,478
Governmental activities total				
Capital assets - net of depreciation	\$ 873,019	\$157,176		\$1,030,195

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities

General government \$16,908
Public safety 36,287
Recreation and culture 5,010

Total Governmental Activities

\$58,205

The Township is considered a "Phase 3" Government, as defined by GASB 34. Accordingly, the Township has elected to not retroactively apply the reporting of major general infrastructure assets.

NOTE 4 - RETIREMENT PLAN

The Township has a defined contribution pension plan for all elected officials. A defined contribution pension plan provides pension benefits for each participant, and specifies how contributions to the individual's account are to be determined. The amounts participants receive depend solely on the amounts contributed to the participant's account and the returns earned on those contributions. During the year, the Township's actual contributions to the plan amounted to \$7,751. No pension provision changes occurred during the year that affected the required contributions to be made by the Township or its employees.

NOTE 5 – RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as workman's compensation benefits provided to employees. The Township has purchased commercial insurance for claims relating to general liability, errors and omissions, physical damage (equipment, building, and contents) and workers compensation.

Settled claims for the commercial insurance have not exceeded the amount of coverage in any of the past three years. There was no reduction in coverage obtained through commercial insurance during the past year.

NOTE 6 - DEFERRED COMPENSATION

The Township does not have a deferred compensation plan.

NOTE 7 - POST EMPLOYMENT

The Township does not furnish any post employment benefits to its employees.

NOTE 8 - ACCUMULATED VACATION AND SICK PAY

The Township employees do not earn vacation pay and they are not paid for sick days.

NOTE 9 – LONG-TERM DEBT

The long-term debt of the Township is summarized as follows:

Fire truck note payable with the United States Department of Agriculture, Rural Development dated June 8, 2006 for the purchase of a new fire truck. Original debt: \$190,000, interest at 4.375%. Payments are due as follows:

Year	Principal (March 1)	Interest (March 1)	Interest (September 1)	Total Debt Service	Principal B <u>alance</u>
2007			3,663.18	3,663.18	167,459.80
2008	10,000.00	3,663.18	3,444.43	17,107.62	157,459.80
2009	10,000.00	3,444,43	3,225.68	16,670.12	147,459.80
2010	10,000.00	3.225.68	3,006.93	16,232.62	137,459.80
2011	10,000.00	3.006.93	2.788.18	15,795.12	127,459.80
2012	10,000.00	2,788.18	2.569.43	15,357.62	117,459.80
2013	10.000.00	2.569.43	2,350.68	14,920 12	107,459.80
2014	15,000.00	2,350.68	2,022.56	19,373.24	92,459.80
2015	15,000.00	2,022.56	1,694.43	18,716.99	77,459.80
2016	15,000.00	1,694.43	1,366.31	18,060.74	62,459.80
2017	15.000.00	1,366.31	1.038.18	17,404.49	47,459.80
2018	15.000.00	1,038.18	710.06	16,748.24	32,459.80
2019	15,000.00	710.06	381.93	16,091.99	17,459.80
2020	15,000.00	381.93	53.81	15,435.74	2,459.80
2021	2,459.80	53.81	(0.00)	2,513.61	(0.00)
202	167,459.80	28,315.81	28,315.81	224,091.42	, ,

Township building note payable with Chemical Bank dated November 9, 2006 for the purchase of 1521 Howard City-Edmore Rd. Original debt. \$80,000, interest at 5.00%. Payments are due as follows:

Year	Principal	Interest	Total Debt Service	Principal Balance
				77,878.77
2007	1,886	1,927.42	3,813.84	75,992.35
2008	3,917.03	3,710.65	7,627,68	72,075.32
2009	4,117.43	3,510.25	7,627.68	67,957.89
2010	4,328.08	3,299.60	7,627.68	63,629,81
2011	4,549.53	3,078.15	7,627.68	59,080.28
2012	4,782.25	2,845.43	7,627.68	54,298.03
2013	5,026.95	2,600.73	7,627.68	49,271.08
2014	5,284.12	2,343.56	7,627,68	43,986.96
2015	5,554.48	2,073.20	7,627.68	38,432.48
2016	5,838.66	1,789.02	7.627.68	32,593.82
2017	6,137.37	1,490.31	7,627.68	26,456.45
2018	6,451.36	1,176.32	7,627.68	20,005.09
2019	6,781.45	846.23	7,627.68	13,223.64
2020	7,128,40	499.28	7,627.68	6,095.24
2021	6,095.24	137 <u>.76</u> _	6,233.00	0.00
	77,878.77	31,327.91	109,206.68	

HOME TOWNSHIP - GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL YEAR ENDED JUNE 30, 2007

	Original <u>Budget</u>	Amended <u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues				
Property taxes	\$ 48,274	\$ 48,274	\$ 48,883	\$ 609
Administration fee	20,666	20,666	19,749	(917)
State grants	98,000	98,000	100,949	2,949
Zoning fees	800	800	1,095	295
Interest	800	800	11,110	10,310
Rents and royalties	130	130	160	30
Community hall rents	1,400	1,400	1,515	115
Other revenues	5,148	5,148_	9,259	4,111
Total Revenues	175,218	175,218	192,720	17,502
Expenditures				
Township board	21,100	21,600	17,988	3,612
Supervisor	7,880	9,080	9,070	10
Elections	8,250	9,250	6,452	2,798
Assessor	26,600	26,600	25,986	614
Attorney	3,500	4,300	4,296	4
Clerk	17,750	17,750	17,308	442
Board of Review	1,501	1,501	894	607
Treasurer	21,010	21,010	20,342	668
Township hall	19,450	20,185	19,1 7 0	1,015
New township hall & police building	-	16,249	159,285	(143,036)
Cemetery	3,000	3,000	2,988	12
Planning commission	6,425	6,575	6,346	229
Waste disposal	1,300	1,300	1,300	-
Building and construction	4,000	4,000	3,997	3
Contingencies	5,500	5,500	5,451	49
Insurance	8,550	9,250	9,057	193
Pension	8,000	8,000	7,751	249
Payroll taxes	4,600	5,058	5,128	(70)
Total Expenditures	168,416	190,208	322,809	(132,601)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	6,802	(14,990)	(130,089)	(115,099)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	60,941	
Loan proceeds	-	-	80,000	
Total other financing sources	-	-	140,941	
FUND BALANCE - BEGINNING OF THE YEAR	259,589	259,589	259,589	
FUND BALANCE - END OF THE YEAR	\$ 266,391	\$244,599	\$ 270,441	

HOME TOWNSHIP GENERAL FUND STATEMENT OF EXPENDITURES YEAR ENDED JUNE 30, 2007

TOWNSHIP	BOARD		
	Salaries and wages	\$ 6,893	
	Office supplies	3,699	
	Professional services	100	
C	Communications	1,292	
٦	Fransportation	424	
	Printing	583	
	Miscellaneous	4,997	
F	Roads	-	
H	Hitachi Payback		17,988
SUPERVISO	OR .		
	Salaries and wages	8,900	
	Miscellaneous	121	
	Office supplies	49_	9,070
E. FOTION			
ELECTIONS		4,246	
	Salaries and wages	730	
	Office supplies	120	
	Fransportation Printing	369	
	Professional services	790	
	Viscellaneous	197	6,452
'	VIISCEIIATIEOUS		2, .22
ASSESSOR	1		
,	Salaries and wages	23,500	
	Office supplies	62	
	Tax bill preparations	2,349	
ľ	Miscellaneous	75	25,986
ATTORNEY	,		
	Professional services	4,296	
-	Tax appeals		4,296
	••		
CLERK	Salaries and wages	17,176	
	Office supplies	35	
	Miscellaneous	97	17,308
BOARD OF	DEVIEW		
	Salaries and wages	676	
	Printing	126	
	Office supplies		
	Miscellaneous	92	894
			•
TREASURE		20 210	
	Salaries and wages	20,318 24	
	Office supplies		20,342
	Miscellaneous		. 20,042

HOME TOWNSHIP GENERAL FUND STATEMENT OF EXPENDITURES YEAR ENDED JUNE 30, 2007

TOWNSHIP HALL		
Operating supplies	177	
Copier expense	-	
Communications	494	
Public utilities	3,943	
Hall custodian	3,557	
Repair and maintenance	3,534	
Capital outlay - equipment	2,713	
Capital outlay - building improvement	4,369	
Library maintenance	383_	19,170
NEW TOWNSHIP HALL & POLICE BUILDING		
Interest	2,328	
Debt retirement	2,121	
Communications	746	
Public utilities	2,609	
Hall custodian	505	
Repair and maintenance	5,835	
Capital outlay - equipment	1,200	
Capital outlay - building improvement	143,941	159,285
CEMETERY		
Salaries and wages	2,800	
Repair and maintenance	<u> 188</u>	2,988
PLANNING AND COMMISSION		
Salaries and wages	5,446	
Office supplies	45	
Printing	512	
Miscellaneous	343	
Transportation		6,346
WASTE DISPOSAL		1,300
BUILDING AND CONSTRUCTION		3,997
INSURANCE		9,057
PENSION		7,751
PAYROLL TAXES		5,128
CONTINGENCIES		5,451
CONTINGENCIES		
TOTAL EXPENDITURES		\$ 322,809

HOME TOWNSHIP MUNICIPAL STREET FUND STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL YEAR ENDED JUNE 30, 2007

	Original Budget	Amended Budget	Actual	Variance Favorable (<u>Unfavorable</u>)
REVENUES Property taxes Interest	\$ 53,11 7	\$ 53,117 200	\$ 53,563 3,711	\$ 446 3,511
Total Revenues	53,317	53,317_	57,274	3,957
EXPENDITURES Roads	54,000	54,000	42,154	11,846
TOTAL EXPENDITURES	54,000	54,000	42,154	11,846
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(683)	(683)	15,120	15,803
FUND BALANCE-BEGINNING OF YEAR	48,723	48,723	48,723	
FUND BALANCE-END OF YEAR	\$ 48,040	\$ 48,040	\$ 63,843	

HOME TOWNSHIP FIRE OPERATIONS FUND STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL YEAR ENDED JUNE 30, 2007

	Original Budget	Amended Budget	Actual	Variance Favorable (<u>Unfavorable</u>)
REVENUES				
Property taxes	\$ 66,400	\$ 66,400	\$ 66,967	\$ 567
Interest	200	200	3,101	2,901
Miscellaneous			553	<u>553_</u>
Total Revenues	66,600_	66,600	70,621	4,021
EXPENDITURES				
Salaries and wages	20,000	20,000	16,468	3,532
Payroll taxes	1,000	1,230	1,230	-
Office supplies	100	100	26	74
Operating supplies	2,000	3,000	2,983	17
Communications	1,300	1,300	1,261	39
Repair and maintenance	3,800	4,300	4,245	55
Life insurance	650	650	409	241
Property and liability insurance	8,000	8,050	8,047	3
Workers' compensation	1,225	1,225	1,098	127
Firemen's liability insurance	2,175	2,175	2,067	108
Miscellaneous	2,000	2,000	1,436	564
Public utilites	2,000	2,000	1,998	2
Professional services	2,000	2,000	1,864	136
Capital outlay	2,750	2,750	3,096	(346)
Total Expenditures	49,000	50,780	46,228	4,552
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	17,600	15,820	24,393	8,573
FUND BALANCE-BEGINNING OF YEAR	85,349	85,349	85,349	
FUND BALANCE-END OF YEAR	\$ 102,949	\$ 101,169	\$109,742	

HOME TOWNSHIP POLICE OPERATIONS FUND STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL YEAR ENDED JUNE 30, 2007

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			0 00 050	e 550
Property taxes	\$ 66,400	\$ 66,400	\$ 66,950	\$ 550
Police services	25,000	25,000	23,522	(1,478)
Miscellaneous	2,405	2,405	5,841	3,436
Penalties and fines	-	-	4.050	4.450
Interest	400	400	4,856	4,456
Total Revenues	94,205	94,205	101,169	6,964
EXPENDITURES				
Salaries and Wages	42,250	42,250	42,140	110
Payroll taxes	3,100	3,224	3,224	-
Property and liability insurance	5,000	5,750	5,748	2
Workers' compensation	900	900	900	-
Health insurance	8,700	10,350	10,305	45
Office supplies	300	300	239	61
Operating supplies	4,200	4,200	3,980	220
Professional services	1,200	1,200	1,130	70
Communication	1,600	1,600	1,583	17
Pension	5,000	5,000	3,300	1,700
Repairs and maintenance	3,000	3,000	2,318	682
Miscellaneous	500	855	834	21
Police liability	675	675	-	675
Office rent	1,212	1,212	-	1,212
Life insurance	90	91	91	•
Training	250_	900	900	
Total Expenditures	77,977	81,507	76,692	4,815
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	16,228	12,698	24,477	11,779
OTHER FINANCING SOURCES (USES) Transfers out	-	-	(60,941)	
FUND BALANCE-BEGINNING OF YEAR	124,995	124,995	124,995	
FUND BALANCE-END OF YEAR	\$141,223	\$137,693	\$ 88,531	

HOME TOWNSHIP FIRE EQUIPMENT FUND STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL YEAR ENDED JUNE 30, 2007

	Original Budget	Amended Budget	Actual	Variance Favorable (<u>Unfavorable</u>)	
REVENUES Property taxes Interest Miscellaneous	\$ - - -	\$ - 1,400 -	\$ - 2,724 	\$ - 1,324 	
Total Revenues		1,400	2,724	1,324	
EXPENDITURES Equipment Interest Debt retirement	7,000 - 	7,000 - 	5,765 22,540	7,000 (5,765) (22,540)	
Total Expenditures	7,000	7,000	28,305	(21,305)	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(7,000)	(5,600)	(25,581)	(19,981)	
FUND BALANCE-BEGINNING OF YEAR	32,938	32,938	32,938		
FUND BALANCE-END OF YEAR	\$ 25,938	\$ 27,338	\$ 7,357		

HOME TOWNSHIP POLICE EQUIPMENT FUND STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL YEAR ENDED JUNE 30, 2007

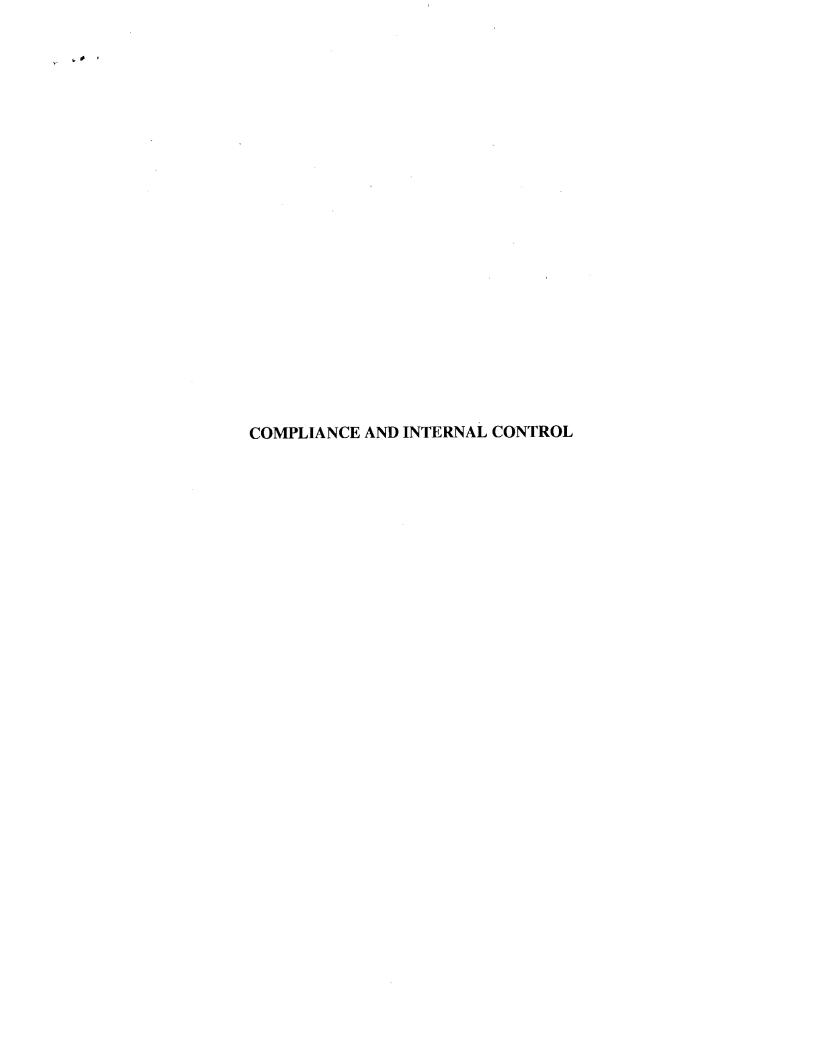
	Original Budget	Amended Budget	Actual	Variance Favorable (<u>Unfavorable</u>)
REVENUES Property taxes Interest	\$ - -	\$ -	\$ - 4,153	\$ - 4,153
Total Revenues			4,153	4,153
EXPENDITURES Equipment	5,000	5,000	3,498	1,502
Total Expenditures	5,000	5,000	3,498	1,502
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(5,000)	(5,000)	655	5,655
FUND BALANCE-BEGINNING OF YEAR	67,672	67,672	67,672	
FUND BALANCE-END OF YEAR	\$ 62,672	\$ 62,672	\$ 68,327	

HOME TOWNSHP LIBRARY FUND STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2007

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Property taxes	\$ 44,000	\$ 44,000	\$ 49,866	\$ 5,866
Penal fines	29,800	29,800	28,471	(1,329)
State grants	3,600	3,600	3,469	(131)
Gifts	23,850	27,850	22,231	(5,619)
Interest	250	290	6,226	5,936
Miscellaneous	<u>8,500</u>	10,500	8,816	<u>(1,684)</u>
Total Revenues	110,000	116,040	119,079	3,039
EXPENDITURES				
Salaries and wages	51,600	51,600	43,611	7,989
Payroll taxes	3,400	3,400	3,336	64
Workshops	450	450	378	72
Transportation	400	400	156	244
Office supplies	2,600	2,500	2,001	499
Communications	1,800	1,800	1,915	(115)
Book supplies	1,200	1,100	571	529
Books	10,000	13,000	12,898	102
Subscriptions	2,400	2,300	1,076	1,224
Audio-visual and non-book	4,000	6,000	6,242	(242)
Repairs and maintenance	200	200	370	(170)
Programs	500	900	792	108
Professional and contracted services	1,200	1,500	1,149	351
Printing	100	100	32	68
Insurance	150	1,150	1,150	-
Utilities	8,000	8,000	4,570	3,430
Capital outlay	5,000	5,000	3,850	1,150
Capital outlay - remodeling project	-	55,000	52,714	2,286
Miscellaneous	1,200	1,000	1,165	(165)
Building maintenance	2,500	2,440	2,335	105
Electronics	13,000	13,000	10,563	2,437
Software	300	200	90	110_
Total Expenditures	110,000	171,040	150,964	20,076
EXCESS (DEFICIENCY) OF REVENUES				
OVER EXPENDITURES	-	(55,000)	(31,885)	23,115
FUND BALANCE-BEGINNING OF YEAR	182,886	182,886	182,886	
FUND BALANCE-END OF YEAR	\$182,886	\$127,886	\$151,001	

HOME TOWNSHIP SPECIAL REVENUE FUND - CEDAR LAKE LIGHTS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL YEAR ENDED JUNE 30, 2007

	Original Budget	Amended Budget	Actual	Variance Favorable (<u>Unfavorable</u>)
REVENUES Special assessments Interest	\$ 1.199 20	\$ 1,199 20	\$ 1,199 <u>24</u>	\$ - 4
Total Revenues	1,219	1,219_	1,223_	4
EXPENDITURES Street Lights	1,200	1,380_	1,378	2
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	19	(161)	(155)	6
FUND BALANCE-BEGINNING OF YEAR	1,058	1,058	1,058	
FUND BALANCE-END OF YEAR	\$ 1,077	\$ 897	\$ 903	



REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF GENERAL PURPOSE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

August 15, 2007

Members of the Township Board Home Township Montcalm County, Michigan

We have audited the general purpose financial statements of Home Township as of and for the year ended June 30, 2007, and have issued our report thereon dated August 15, 2007. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Home Township's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of general purpose financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Home Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

This report is intended for the information of Township Board and management. However, this report is a matter of public record and its distribution is not limited.

Dean Jensen, CPA, P.C.